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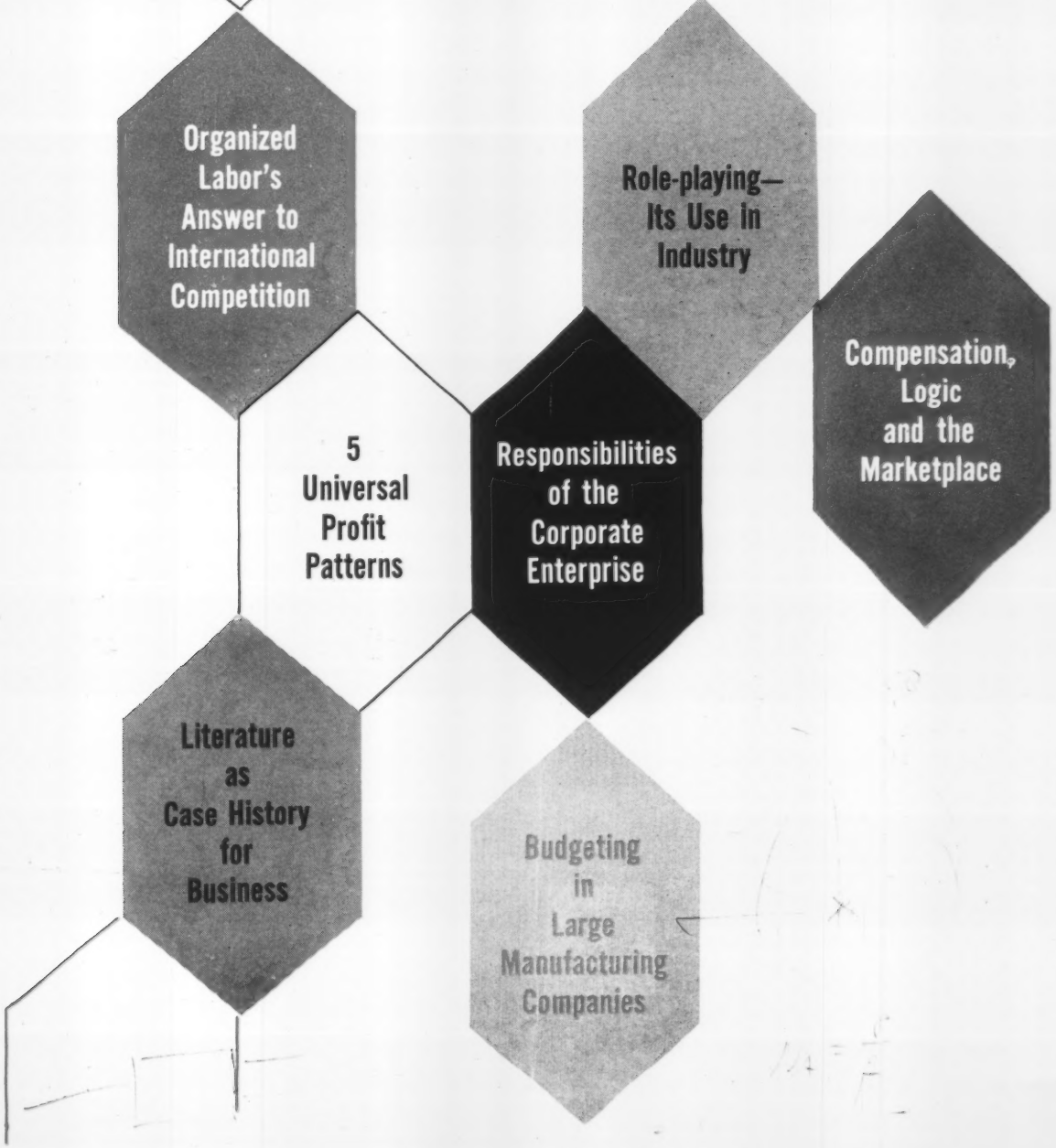
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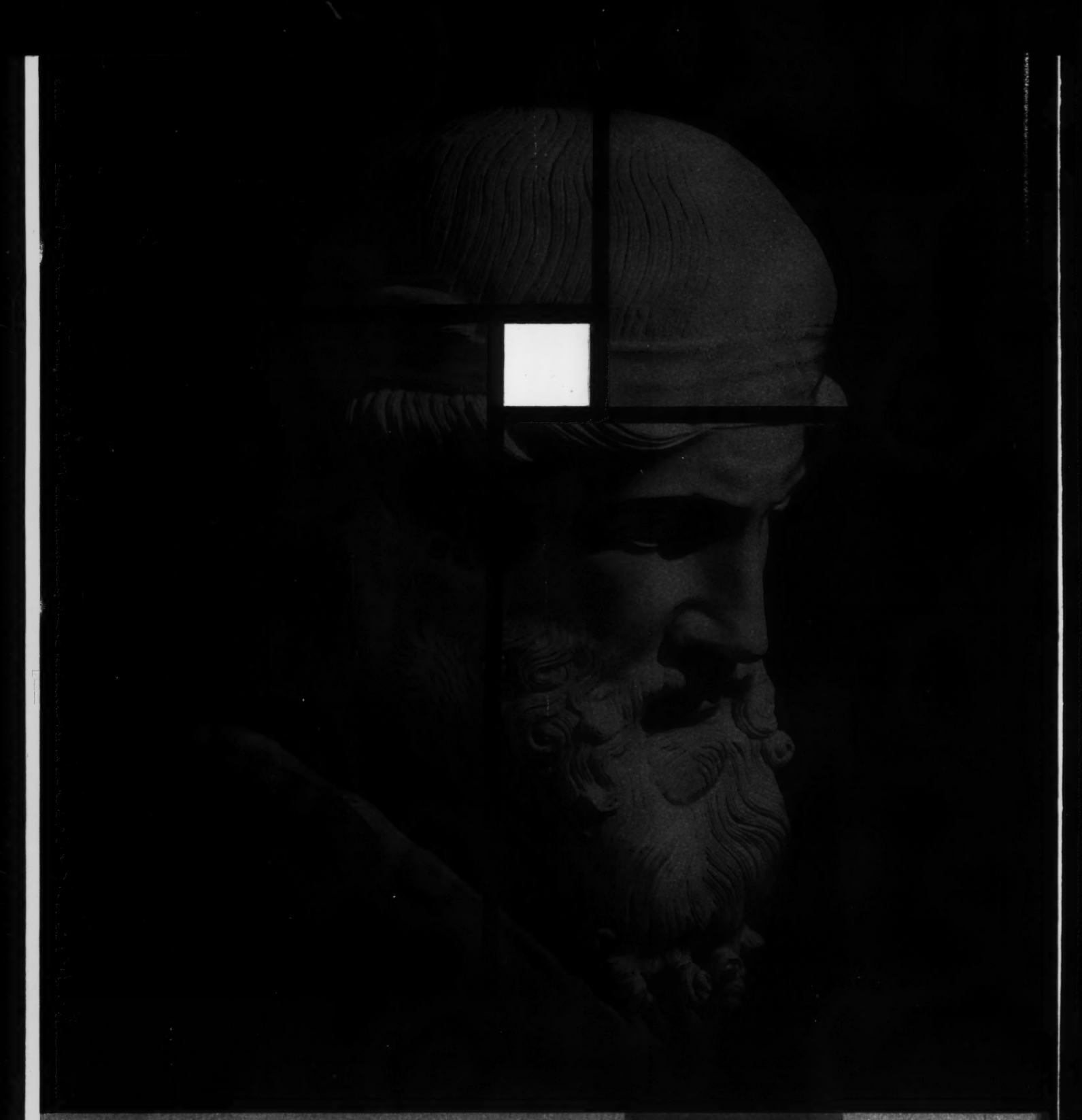

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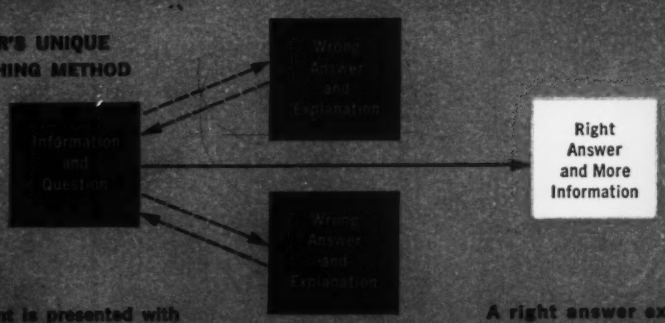
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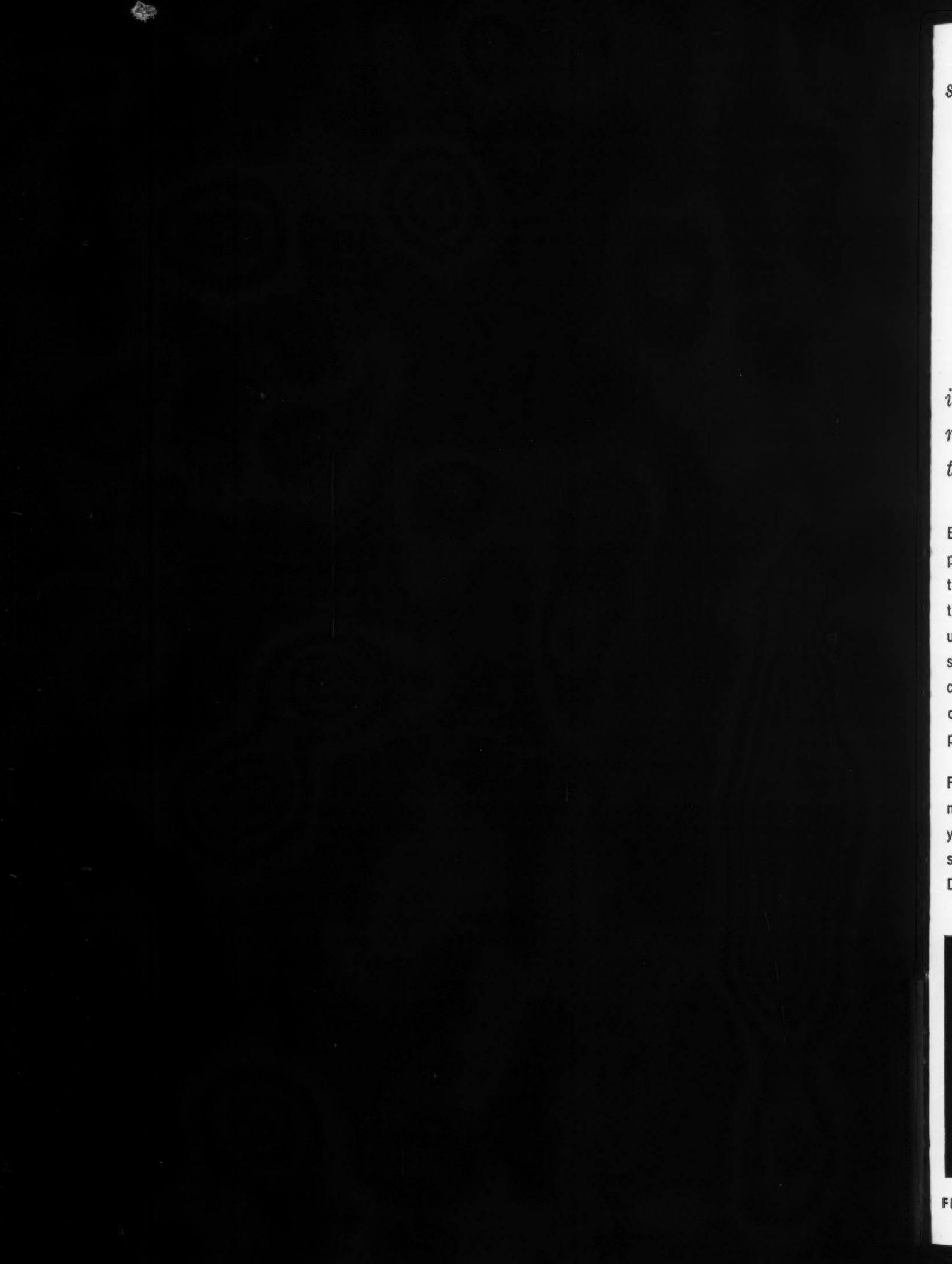

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Correspondence: Taylor's Wage Theories

"Let Actions Speak . . ."

I must confess that I was disappointed in the November article by James H. Greene on F. W. Taylor's wage theories. For years I have felt that educators in the United States have either neglected Taylor or have deliberately smeared his name. Dr. Greene had an opportunity to do something in his article, but I feel that he missed the boat. He confined himself to what Taylor said about his wage philosophy while on the witness stand and in unfriendly hands. I feel that Dr. Greene would have done better to have pointed out what Taylor had really done about wages and let his actions speak for themselves.

I am not well enough versed in classical economics to debate on the "just wage" theory with Dr. Greene but "just wages" never meant high wages to any of the authors I have read on the subject.

The conclusions in the article were based almost entirely on Taylor's testimony in 1912. I remember the period very well. While there were many complaints about "hard times", the purchasing power of the worker in America had reached a point considered fabulous in Europe and unbelievable elsewhere.

I feel that uninformed readers of the article inferred that Taylor had a group of employees who had to work for him or starve, and demanded large increases in production while paying only marginal or "just wages". Actually Taylor's workers took home a great deal more money than they had ever earned, or could ever have hoped to earn anywhere in the world.

In the period in question, Taylor was almost as controversial a figure in management circles as Keynes and Marx are today; although for different reasons of course. In those days, Taylor was commonly referred to as the proponent of the theory of high wages, a fact with which Dr. Greene seems unfamiliar. He does say that, "Taylor probably would have endorsed Adam Smith who . . . went on to suggest that a higher wage, by increasing the productivity of the man, might pay for itself." This, to me, was really Taylor's philosophy as borne out in what he did rather than by what he said.

Taylor

During the period described, I formed the opinion, and still feel, that a great deal of the management opposition to Taylor was due to the fact that he and his associates invariably raised havoc with the wage structure in the immediate area of the factories where they were employed. The Bolshivicki and the Fabian Socialists hated him for the same reason. They felt that Taylor's high wages would make the worker satisfied with capitalism.

With few exceptions, organized labor attacked Taylor because the leaders felt that if Taylor's ideas spread there would be no need for unions. If I am not mistaken, Taylor's only strike was because the non-union unskilled got too much money to suit the skilled union members. The latter had been assured an equivalent increase in earnings but the leaders would not let them wait to get it.

Quite contrary to the impression one gets from Dr. Greene's article, Taylor was always talking high wages and quoting the workers' high earnings under his system. In the same testimony, before the Special House Committee, on which Dr. Greene's article is based, Taylor mentioned high wages with approbation several times. Part of his testimony reads (page 183) "High wages are not doing any harm; I favor even higher wages than the unions do . . .".

Later on page 229, Taylor is quoted "Under scientific management we have been accustomed to increase the wages of our workmen so that they receive 35 to 50 per cent higher wages than they did before . . .".

On page 274 there is a statement that Taylor had placed in the record a table of wages from the Tabor Manufacturing Company of Philadelphia which showed that one year after he had applied scientific management there, the same people were receiving wages 73% higher than before he came.

Dr. Greene would appear to have an original definition of "just wages" if it means 73½% above going wages in a thriving community.

HENRY ADDISON SCHELL
East Orange, N. J.

Author's Reply

In my article on Taylor's Wage Theories, I was neither trying to deify nor degrade Taylor but was rather trying to analyze and explain one aspect of his philosophy.

I agree with Mr. Schell that Taylor has been both neglected and smeared, but it came about because we have greedily endorsed his techniques without understanding his philosophy. Some of those who have been the quickest to defend him, have been the most guilty in this respect.

Taylor, out of his upper-middle-class Philadelphia background and industrial experience, developed or expressed what appears to me to be an American ethic. Because of time and changes in our social structure, his philosophy has become dim. It is time that this philosophy is reviewed and restated and I hope that Mr. Schell from his vantage point of firsthand knowledge, will accept this very important obligation.

I appreciate Mr. Schell's comments and will look forward to further exchanges of viewpoint.

JAMES H. GREENE
Lafayette, Ind.

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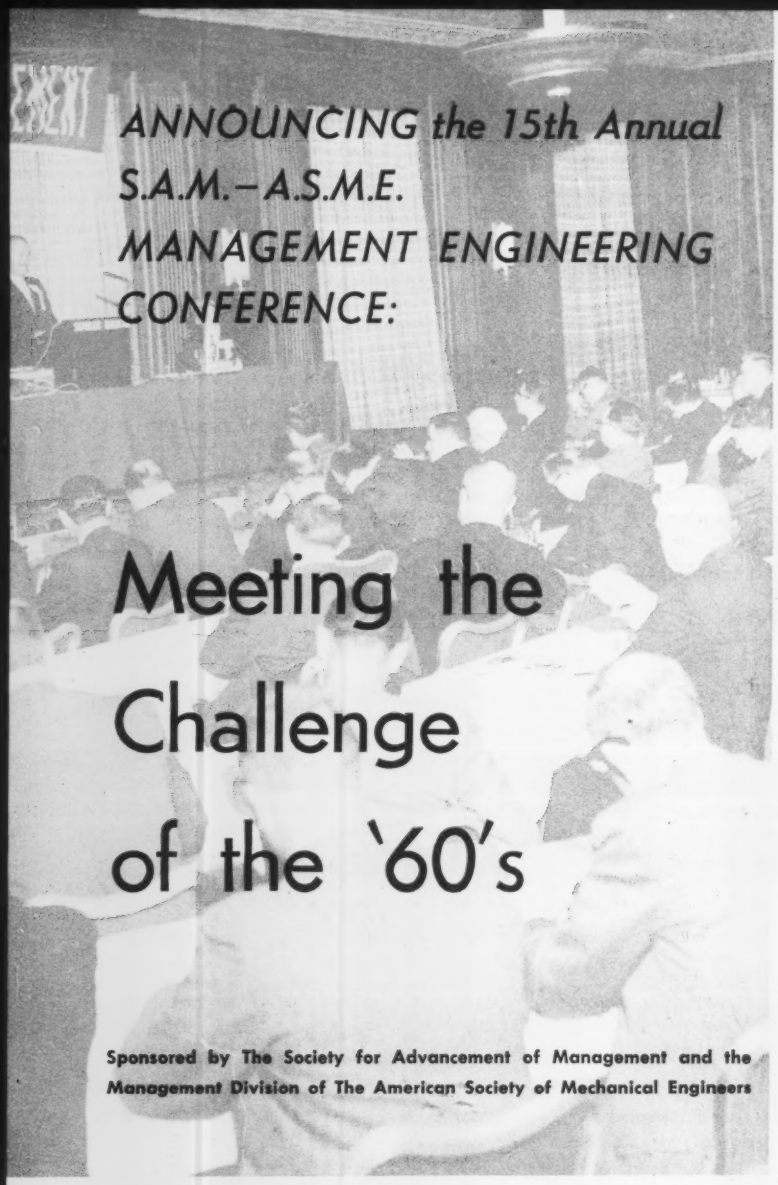

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- Use of Work Sampling in Setting Work Standards, by David N. Petersen, chief of manufacturing methods engineering, Norair Division, Northrup Aircraft.
- New Applications for Work Sampling, by Gerald Nadler, head of Industrial Engineering Dept., Washington University.
- Development of Nuclear Power in the 1960's, by W. L. Cisler, pres., Detroit Edison Co. and ASME president. (Luncheon Address)

THURS. AFT.

- Applications of New Equipment in Manufacturing, by William B. Kane, manager, Elektrojet Dept., Cincinnati Milling Machine Co.
- The Problem of Selling Management, by L. B. Harris, pres., L. B. Harris Co.
- Obtaining Union Acceptance of Industrial Engineering Ideas, by Warren A. Lacke, general manager, Industrial Relations, Continental Can Co.
- Automation Through Equipment Programming, by H. T. Marcy, manager, Technical Development, Data Systems, IBM Corp.

FRIDAY MORNING

- Application of Management Sciences to Production Control, by Robert G. Brown, consultant, Operations Research Group, Arthur D. Little, Inc.
- Application of Simulation to Production and Inventory Control, by Lester J. Burkhardt, manager, Production and Inventory Control, Westinghouse Electric Corp.
- Clerical Improvement Through Modern Data Processing, by Elles M. Derby, administrative assistant, Metropolitan Life Insurance Co.
- Work Simplification for Administrative Cost Control, by Fred Schwarz, director of Work Simplification, Minneapolis-Honeywell Regulator Co.
- Labor Implications in the Face of Advancing Technology, by John L. Young, vice president—engineering, U.S. Steel Corp. (Luncheon Address)

FRIDAY AFTERNOON

- Improving Methods for Indirect Labor, by Howard A. Estabrook, vice president of manufacturing, U.S. Reduction Corp.
- How to Plan and Schedule Indirect Labor, by Steve Hamlin, district supervisor, Management Services Div., Ernst & Ernst, Inc.
- How to Choose Between Time Study and Predetermined Standards, by T. Blair Evans, civilian director, Industrial Engineering Div., Wright-Patterson AF Base.
- New Developments in Predetermined Time Standards, by H. B. Maynard, president, H. B. Maynard & Co.

APRIL 7-8

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VOL. 25 NO. 2

FEBRUARY, 1960

ADVANCED Management

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Organized Labor's Answer to International Competition

By BERT SEIDMAN

The U. S. cannot always tailor its domestic economic policies to what may appear to be the requirements of its foreign trade position of the moment

Mr. Seidman, an economist in the AFL-CIO Research Department, is chairman of the Labor Research Advisory Committees to the U.S. Bureau of Labor Statistics and the Bureau of the Budget. The accompanying article was originally given as an address before S.A.M.'s Annual Fall Conference in New York City, Oct. 29, 1959

THERE is evidence on every hand that international competition is growing. Despite considerable discussion about the potentialities of East-West trade, the international competition that exists in the world is not between the Communist countries and the Free World. Our competition with the Soviet Union and its satellites is military, psychological and political; but we are not competing with them to any appreciable extent in the markets of the world. The United States is competing in international markets and in our own domestic markets with other nations which are, by and large, our political allies.

As a matter of fact, the increasing international competition ought to come as no surprise to us. We planned it that way, and we should be proud and gratified that we did.

When mankind emerged from the holocaust of World War II, the economies of all of the chief industrial nations of the world except the United States were prostrate. War damage had reduced much of the industry of Western Europe and Japan to a shambles.

In this chaotic situation, the United States stepped into the breach. The Marshall Plan had as its goal the revival of the economies of the leading nations of the Free World. That goal has been realized.

We should understand, however, that the period of economic recovery from World War II was an abnormal one on the world trading scene. Those were years when the U.S. completely dominated the entire world market. We were able to provide the goods and materials the war-ravaged countries of Europe and Japan needed to rebuild their economies. Since the countries we were aiding could spare relatively little from the urgent needs of their own reviving economies, those were years when U.S. exports greatly exceeded our imports.

But there was no reason to think this situation would last indefinitely, and it would have been wholly undesirable if it had. As the nations of Western Europe and Japan got back on their feet economically, we shifted our economic assistance from the industrially advanced nations to the less developed newly industrializing countries of Asia, Africa and Latin America. Once the economies of the industrialized Free World nations were operating at a fairly high level, they no longer needed or wanted further economic aid from us.

It was understood right from the start that when these nations had achieved economic recovery, they would be able to meet more of their own needs which up to that time had been met by U.S. industries. In addition, and this is where the problem of international competition begins to loom, they could also participate more widely in world markets, including markets in the U.S.

Those who look with alarm on these developments raised the nagging question of whether, as they put it, "the U.S. has priced itself out of world markets." The argument implies that prices in the U.S. have risen faster than abroad and that this has placed our industries at a competitive disadvantage in world markets. Since a villain must be found on which to pin the responsibility, many of those who advance this notion point an accusing finger at labor. They say that excessive wages are the factor that is primarily responsible for pricing ourselves out of world markets.

Effect of U. S. Trade Position on Total Economy

How much truth is there to these charges? It is true that since 1957, U.S. exports have fallen and imports have increased, but this is not because U.S. prices have risen at a more rapid pace than those in other countries. Of course, prices have risen in the U.S. but so have they abroad. In comparison with price trends in the U.S., prices have risen to about the same extent in Canada, slightly more in some Western European countries and slightly less in others.

Some of these countries, troubled by their failure to hold prices down, thought they could prevent price increases by clamping down on wages. Countries like Sweden and the Netherlands instituted far-reaching wage controls while Australia for many years has sought to hold the lid on wages by a system of compulsory arbitration.

But the experience of these countries has demonstrated that despite their wage controls, many of them have had a poorer record of restraining price increases than the U.S. For example, from 1948 to 1957 prices in Australia went up by 102 percent, in the Netherlands by 55 percent, in Sweden by 57 percent but in the U.S. by only 17 percent.

There is another interesting fact about the relationship of prices to trade. U.S. export levels do not seem to be very closely tied to price developments at all. If you take the four years 1955 through 1958, you will find that U.S. exports rose by 21 percent in 1956, more than in any other years during that period. But in 1956, wholesale prices jumped 3.3 percent which was also the largest rise for any of the four years. On the other hand, in 1958 exports dropped by 16 percent, although prices rose by less than 1½ percent.

The problem we face, therefore, is not how can we compete in markets in which we have been out-priced by already existing competitors. Our problem is to compete with revived or newly established industries which have only recently begun to participate in world markets.

This is not a problem we can afford to ignore. But neither should we exaggerate it beyond its proper proportions. Let us see what those proportions are.

In the first place, although international trade is not an insignificant factor in our economy, neither does it play a crucial role. From 1951 to the first half of 1959, imports have ranged from 2.9 percent of the gross national product in 1955 to 3.4 percent in 1951. In most years, including this year, they have fluctuated very close to 3 percent. Exports have ranged between 3 and 4 percent of gross national product and have usually exceeded imports.

During the first half of 1959, exports and imports were almost exactly in balance, although preliminary figures for the past couple of months indicate that exports may again be forging ahead of imports. It seems clear, however, that at least for the time being, our trade is more nearly in balance than it has been in recent years.

There may be some problems connected with this development. But what I want to stress is that it is extremely important that we view these changes in the international

side of our economy in their proper perspective. And here I would emphasize one or two considerations.

First, there is little if any evidence that changes in the world trading picture are having an appreciable effect on our overall economy. This is to be expected, but is often lost sight of. It is to be expected because unlike countries like England, Japan or the Benelux nations, trade does not play a very important part in our total economy. We have seen this during the past year and a half as our economy has recovered from the 1957-58 recession despite a worsening of our trade position.

Let me illustrate this point with a few figures. From 1958 to the first half of 1959, imports into the U.S. increased at an annual rate of $2.5 billion. This is about ½ of 1 percent of our gross national product. If we assume that this unusually large increase in imports displaced a proportionate number of workers, then approximately 350,000 workers might be displaced in a year assuming that the first half import rate continues through the year.

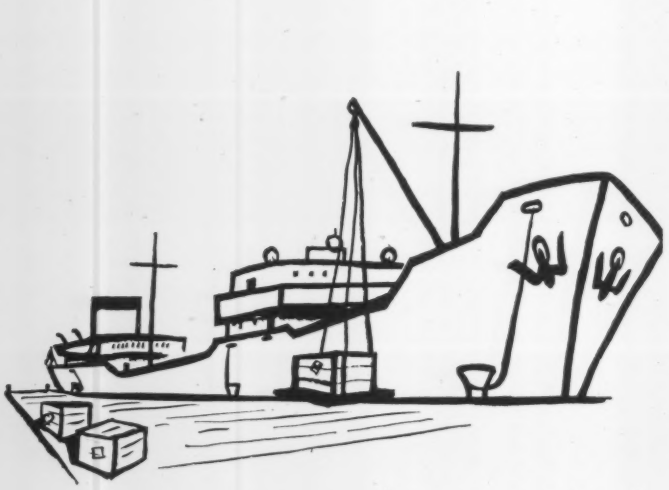
This is, of course, a significant number of workers. But it represents less than half of the annual rate of growth of the labor force and only about one-seventh of the average annual drop in employment requirements resulting from gains in productivity.

A second consideration I would emphasize is that since our economy is affected comparatively little by trade, our economic policies should be developed primarily in response to our domestic economic requirements and our responsibilities as economic and political leader of the Free World. They should not be unduly influenced by the vagaries of trade developments. In other words, we must not let the tail wag the dog.

Lower Wages Not an Aid to Competition

I have already indicated that whatever problems we face in world markets are not particularly tied to either price or wage developments here at home. That being the case, there is not the slightest reason to think that lower wages in the U.S. would help American industries in competing in world markets.

To be sure, international trade undoubtedly contributes to our economy and, to an even greater extent, strengthens the economies of our Free World allies. But we should not forget that it is the mass purchasing power of American workers and their families which has made possible the tremendous growth of our economy. It would certainly be a false solution to the problems American industry may face in world markets to reduce the incomes of American workers and thereby severely contract the major market for the products of virtually all American industries. Indeed, nothing could be more harmful to the American economy and the welfare of the entire American people.



What all this boils down to is that we cannot tailor our domestic economic policies to what may appear to be the requirements of our foreign trade position of the moment. This does not mean, however, that we should ignore the effects of foreign trade developments on those relatively few workers, firms and communities on which they have a major impact. This problem relates primarily to the effects of import competition. Neither should we meekly withdraw from markets abroad without putting up a fight for our fair share of the world's trade. This is a challenge to our exporters.

Effect of Competition on World Markets

Let me first say a few words about the problems we face in exports — in other words, in selling in world markets. I have already said that exports are not a major factor in our economy. But they do provide employment for several million workers and in some industries, a substantial proportion of workers owe their jobs to exports. This means that it is very much to the interest of American workers that our industries hold their own in world markets.

This may require a changed attitude on the part of American firms because with increasing industrialization of the heretofore less developed countries, competition in world markets will undoubtedly become increasingly rigorous. The world is no longer a seller's market for American business and industry. American companies are going to have to buckle down to a real selling job if they are to retain the markets they built up in the years when the U.S. had little competition in the world market.

This means they are going to have to pay more attention to the needs and desires of foreign consumers and industry. We will have to stop "designing ourselves out of world markets," as Assistant Secretary of Commerce Kearns has put it, with fancy gadgets and ornaments on products that foreigners will buy only in stripped-down form and at stripped-down prices. Also the U.S. exporters will have to offer credit on more competitive terms with their British, German and Japanese counterparts. As some American firms have already demonstrated, excessive profit margins can be reduced in order to meet prices of foreign competitors. These are just some ways that American industry can bolster its position in world markets in the face of sharper competition from abroad.

We will also be building up markets for American industries by extending generous economic and technical assistance to less developed countries. This is because industrialization in these countries, as past experience clearly

"The basic objective of a Trade Adjustment Program would be to assure those facing import competition that they would not have to shoulder the entire burden of the impact"

indicates, will increase their demand for products from abroad, including the United States.

Effect of Imports on U. S. Industry

The other aspect of the problem is the effect of increased imports into the U.S. on some American industries, workers and communities. Here we go to the root of our tariff and trade policy which has not just economic consequences, but also very serious implications for our overall foreign policy.

Our long-range goal should continue to be the gradual reduction of barriers to trade through the Reciprocal Trade Agreements Program. By widening opportunities for trade among the free nations of the world, we will help to assure economic prosperity and improved living standards. We will also strengthen the Free World forces economically and politically in the global struggle with the forces of Soviet totalitarianism.

But liberalization of trade should be accomplished in ways which will assure maximum benefit and minimum injury in both the U.S. and in the countries of our trading partners. In particular, expansion of world trade should provide a solid foundation for helping to raise living standards at home and abroad.

One way of acomplishing this objective is by promoting fair labor standards in international trade. This does not mean equalizing wages between exporting and importing countries because the level of wages that can be paid in exporting countries is necessarily limited by the extent of their economic development and the productivity of their industries.

But there should be an obligation upon all countries to see to it that wages and working conditions in exporting industries fully reflect the productivity and the degree of technological advance of such industries and of the national economy. Acceptance of this principle is necessary not only to safeguard the hard-won standards of workers in the U.S. but as a matter of elemental justice to the workers in exporting countries. Moreover, these countries will discover, as we have in the U.S., that decent wages and working conditions promote domestic purchasing power, industrial productivity and sound economic growth.

This principle of fair labor standards in international trade has aroused increasing interest in recent years. It ought to be incorporated as an essential feature of U.S. trade policy and vigorously promoted through such international organizations as the International Labor Organization and the General Agreement on Tariff and Trade.

General acceptance of the fair labor standards principle in international trade would help to forestall efforts which might otherwise be made to reverse the trend toward liberalization of trade. Support of a liberal trade policy would also be strengthened if reasonable assurance could be given to American workers and employers that they would not be faced with the possibility of drastic production cutbacks or substantial employment displacement as a result of sudden large influxes of competing imports. This could probably be done without altering the existing escape clause provision of the Tariff Act. Such safeguards would be in keeping with the basic idea of the Reciprocal Trade Program as a middle-of-the-road approach to liberalizing international trade.

Finally, to meet situations where despite the measures I have suggested increased imports may adversely affect domestic industries, a Trade Adjustment Program should be established to provide various types of assistance to the workers, firms and communities involved. This program should be sufficiently flexible so that it could either provide financial and technical assistance to permit the firms to modernize and improve their efficiency so that they could effectively compete with foreign competitors; or, if that is not possible, the assistance should be directed toward facilitating the shifting of production facilities and the employees to a more promising line of business.

Importance of a Liberal Trade Program

In either case, the basic objective would be to assure those facing import competition that they would not have to shoulder the entire burden of the impact. As in the principle of fair labor standards, this is a matter of elemental justice. It will also help to allay opposition which might otherwise develop to continuance of a liberal trade program.

This is extremely important for we must continue a liberal trade program. It is, of course, desirable from the point of view of our national economic interest. But I would be less than honest if I were to say that the health of our national economy depends on continuance of a liberal trade program. As I have already indicated, trade just isn't that important in our economy.

We must continue a liberal trade program primarily because it is in the economic and political interest of the entire Free World. A liberal trade program must be an essential part of our overall foreign policy. Because we are the foremost and richest industrial nation in the world, our trade, even though not of crucial significance in our own economy, is essential to the economic well-being of our Free World partners. Adoption of a policy of economic isolation by the U.S. would seriously jeopardize the unity of the Free World community of nations. This is something we simply cannot afford in our own national interest.

Thus, we must not abandon a liberal trade policy. But we will not be able to withstand the pressures for receding from a liberal trade policy if we hide our head in the sands and ignore the effects of such a policy. We must recognize the changes that are taking place in the world trading picture and facilitate necessary and reasonable adjustments to them. In this way, we can lay a solid foundation for expanded international competition and widened opportunities for trade which will be beneficial to people all over the world. ■

Results of a survey among 332 large manufacturing corporations add to our knowledge of current budgeting practices in several major areas — use by size of company, use by particular industry, complete forecasting and budgeting by organizational units

BUDGETING *in Large*

By WILLIARD E. STONE

BUDGETING has been a topic of increasing interest over the past ten years. Many books have been written discussing various budgeting methods. Countless articles have described the techniques applied by individual companies. Such interest is evidence that budgeting is a widespread practice in U. S. industry. However, no information has been available to show the number of companies that make use of budgeting.

Many other questions concerning budgeting lack an answer. Is budgeting more widely used in the very largest companies? Do the companies engaged in one type of industry make greater use of budgeting than those of another industry? To what extent is budgeting applied to the various organizational units within companies? How widespread is the use of complete budgeting systems with forecasts for both revenue and expense? Is expense budgeting, in actual practice, applied to lower organizational levels and the budgeting of revenue confined more to larger company units?

In an effort to answer these and other questions, a survey of management practices was undertaken at the Wharton School of Finance and Commerce in 1957. Questionnaires were sent to 505 corporations chosen by random sample from the Federal Trade Commission's list of 1,000 large manufacturing companies. Replies were received from 332 companies. The ready cooperation of nearly 70 percent of the corporations contacted was greatly appreciated by the author. Because of the method of selection and the satisfac-

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Manufacturing Corporations

tory reply it would appear that the information gathered is representative of management practices in large manufacturing companies in the United States.

Extent of Use

Just under 83% of the companies in the study reported that they made use of budgeting as a management tool. Only 57 of the 332 companies did not make regular use of budgeting. A few of the non-using companies indicated that budgets had been prepared for special purposes. Two reported submitting cash budgets at the request of banks when seeking a loan. Another company prepared a capital budget for the period of construction of government facilities. However, only companies reporting regular use of budgets were included as user-companies.

This widespread use of budgets among large manufacturing corporations was, perhaps, to be expected. It is, nevertheless, an impressive majority. Undoubtedly this majority has been increased in recent years. Unfortunately no comparative figures are available for earlier periods. However, with the advent of electronic computers, it appears safe to predict that the practice of budgeting will be even more widespread in the future.

Effect of Size of Company

Although the study was limited to large manufacturing corporations, there was considerable diversity in size among them. The smallest company had just over ten million dollars in total assets. No upper limit of size was established. Each company was requested to signify its size class by its total assets. The use of budgeting within these size classes was indicated as follows:

Size Class (in millions)	Total Companies	Budgeting Companies	
		Number	Percentage
Over 100	165	147	88
50 to 99	72	59	82
25 to 49	50	36	72
Under 25	45	33	73
Total	332	275	83

The greater incidence of budget systems among the very large companies again is the expected pattern. Needing explanation, perhaps, is how 12 percent of corporations over 100 million in asset size find it possible to operate without budgets.

Companies Budgeting Within Industries

The table shown on the next page indicates, within each industry, the number and percentage of companies which make regular use of budgeting. Industry classifications are those established in the *Standard Industrial Classification Manual* of the Department of Commerce.

Industry Groups	Total Companies	Budgeting Companies Number	Budgeting Companies Percentages
Instruments	7	7	100
Fabricated Metals	19	18	95
Transportation Equipment	35	33	94
Textiles	18	17	94
Electrical Equipment	15	14	93
Drugs & Chemicals	34	31	91
Rubber	7	6	86
Machinery	39	33	85
Petroleum	23	18	78
Glass & Clay Products	13	10	78
Paper Products	20	15	75
Food	48	35	73
Primary Metals	33	24	73
All Others	21	14	67
Total	332	275	83

Budgeting Within Organizational Units

Only 14 companies of the 275 making use of budgets reported budgeting on a company-wide basis only. Ninety-five percent prepare budgets for intracompany units.

Each company was requested to indicate the organizational units for which individual budgets are prepared — divisions, plants, and units smaller than a plant. Three-fourths of the budgeting companies prepare budgets for divisional units. Two-thirds make use of budgets at the plant level and only one-third prepare budgets for units smaller than a plant.

The surprising element of this part of the survey is the relatively small number of companies which make use of budgeting for units smaller than plants. In view of the advantages of responsibility reporting it would seem that a greater use of budgets at this level might be expected. The budget for this level can be used as a standard against which to check the performance of the unit. Accumulating actual performance results for the smaller responsibility areas would permit the determination of favorable and unfavorable variances at that level. Perhaps this is the area in which budgeting will show the greatest progress over the next few years. Responsibility accounting is not of recent origin but its development has received much attention in the past few years.

Budgeting Types Within Organizational Units

Although many variations of budgeting systems are possible there are two questions of major importance. First, is a complete budgeting system covering both revenue and expense used or are expenses only budgeted? The other significant question is to what levels of the organizational structure of the companies are budgets for both revenue and expense generally prepared? The 275 budgeting companies participating in the study report their practices in these respects as follows:

Only 44 companies report budgeting for expenses only. 84% prepare budgets for both revenue and expense at some organizational level of the company.

As is to be expected, the divisional units are most frequently budgeted for revenue and expenses both. 78% of companies budgeting for divisional units prepare revenue and expense budgets. Less than a quarter of the companies prepare expense budgets only. Preparation of a complete system of budgeting is indicative of a large degree of autonomy for the management of the unit. This high percentage of companies with divisional revenue budgeting may then be taken as evidence that a majority of the large manufacturing companies look upon their divisions as autonomous units.

At the plant level only 53 percent of companies budget for both revenue and expenses. Among the companies budgeting for organizational units smaller than plants a majority (55%) budgeted for expenses only.

It is noteworthy, however, that such a large number of companies prepare revenue and expense budgets for plants (96 companies) and for units smaller than plants (42 companies). Budgeting of revenue presupposes that revenue of the unit be accounted for separately. For plants this may be an indication that they are set up to manufacture a product line which is then disposed of on the market. However, it is very likely that plants and almost certain that units smaller than plants would manufacture products for use (i.e., component parts) or for sale in the overall company structure. This requires the use of intracompany selling. In these cases the preparation of revenue and expense budgets is further evidence of the strong desire of top management that the intracompany units be autonomous.

Summary

The widespread use of budgeting among large manufacturing companies is evidenced by the fact that better than 8 out of 10 of these companies make use of budgets. Almost 9 of 10 of the companies having over 100 millions of assets are budgeting companies. This number falls to just over 7 of 10 for the companies under 50 million in asset size.

When the incidence of budgeting companies within industries is examined it appears that its use is highest among those companies producing items which lend themselves to job costing. Industries such as paper products, food and primary metals are more likely to use process cost. Companies in these industries are less addicted to the use of budgeting.

Almost all budgeting companies find it advantageous to budget separately for the various organizational units within the company. The largest number of such companies prepare budgets down to the divisional unit but over two-thirds of the budgeting companies do so down to the plant level.

A substantial majority (84%) of the budgeting companies budget for both revenue and expenses. As is to be expected, these complete budgeting systems are used more at the divisional level (8 of 10 companies) but a surprisingly large number of companies budget revenues for plants and units smaller than a plant. All in all, the study of budgeting practices of our large manufacturing companies offers little than is unexpected. It is, however, a statistical confirmation of the importance of budgeting in the eyes of today's top management. ■

An industry's welfare and the welfare of its people are part of a larger community of interest

Responsibilities of a Corporate Enterprise

in the Community, State and Nation

By DWIGHT J. THOMSON

THE ROLE that people in Industry should or should not play in the public affairs of the nation — and the world — is a question that is looming larger with each passing day.

One answer has been that industry and its people should be mute in the marketplace of public debate; that people in industry have only one role in the life of the nation — to tend their machines.

Many traditionally have felt otherwise. They have worked at their machines, but always, also, at their citizenship.

The real question is: Can free men and women be expected to do less? I think not.

We don't have to get involved in community affairs or political affairs. We can let someone else carry us. Many of us have been doing that for years. It's pleasant, easy, convenient. It also could be fatal.

It is in this context that I would like to review the basic philosophies and policies of Champion as one enterprise in the industrial firmament. This is not to imply that we know all the answers, or that what we are doing is right, but rather to give you a bench mark based on the proposition that freedom is our most basic business.

Industry's Role as a Citizen

Our philosophy begins with the obvious fact that none of us live alone, none of us work alone. Industry is a group of people working together for a common purpose, in the interests of each other and the community of which they are a part. Among these people are those who give it their money,—its shareholders, partners, proprietors; those who give it their support in the areas in which it operates—its neighbors; and last but not least, the people who give it their abilities and loyalties — its employees and their families. So industry is not something apart and different. It is an indivisible part of every man, woman and child, in every part of our country and in the world.

Industry can only reflect the attitudes of all these people who are part of it. Each sees industry differently, just as each contributes to it differently. From these attitudes comes what we call the industrial, or community, climate. It can be a climate in which both can grow and flourish, or one in which they can be stifled and perish.

John Donne, the famous English poet, put it this way: "No man is an island entire of itself. Every man is a piece of the continent, a part of the main." Just as each of us, as an individual, is a part of the society in which we live, so too is industry. Just as we individuals both shape and reflect that society, so does industry. Once this is clear, the interrelationship of industry and freedom becomes obvious. Industry is a part of all people, and all people are a part of industry, no matter how remote or separated they may appear to be at times.

An industry's welfare, and the welfare of all its people, are parts of a larger community of interest that encompasses the nation and the free world. To do our part, we must first focus upon the strength of our organization. Our efforts as a good corporate citizen would be very hollow indeed, unless we can first prove that we have a successful enterprise that is able to meet the needs of our employees, shareholders, customers, suppliers and the communities in which we operate.

For these reasons, we feel it reasonable and proper to

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encourage those with whom we work, and the public with which we deal, to fulfill their individual responsibilities of citizenship without regard for party or special interests. These responsibilities include the necessity to be as well informed as possible on the public issues of the day, to take a position on these issues as dictated by the individual's conscience, to vote upon these issues, and to inform their legislative representatives of their views.

Industry, as I have said, can only reflect the attitudes of all the people who are a part of it. It would cease to exist as an organization of free men if the principles in which it believes did not prevail in its local, state and national environment.

Whether we like it or not, we in business affairs are in the mainstream of public affairs.

Political and Civic Responsibilities of Businessmen

The effects of government upon an enterprise are great and many. Through tax and monetary policies and regulations it influences substantially the prices of our products, the hours we can work, the wages we pay, the rate at which we can write off obsolete or worn out equipment, the conditions under which we can provide benefits for our people. In fact, there are few actions that can be taken without considering the impact of government.

Thus it is our policy to make all appropriate efforts:

1) To assure that our company and its people are adequately represented in the public forums as part of, but never greater than, the common good.

2) To cooperate as fully as possible in the formulation of public policies by freely supplying pertinent information regarding our own role and stake in those policies.

3) To make available, within the limits of individual job demands, the time and talent of those who may be able to contribute actively to the more effective operation of our local, state and federal governments.

4) To demonstrate before all men our conviction that the interests of free men are mutual and must not be divided by the lines of special interest.

It is our firm belief that the ultimate goal of productivity and profit is the assurance of freedom and well being for all men everywhere.

A great part of the time, we in business are accused of struggling *against* something, as holding the ramparts of a lost cause. The time has come for us to struggle *for* something. Our goal should not be to achieve arbitrary divisions of the fruits of our economy. It should be to so multiply these fruits that all may have a greater share. If we cannot work with and through people in demonstrating, not just saying, that our system is for the benefit of the many and not the few, we have lost a major part of the battle. In short, our concern must be as much with the way we produce as with the amount we produce.

"Now that they can compare political and economic realities, peoples around the earth will not look to what we say our system is — but to what they see it is"

Participation of a businessman in public affairs begins just where the participation of anyone else begins, with the fact that he is a citizen. He is not disenfranchised because he is a businessman. He is not relieved of any of the privileges or responsibilities of citizenship. Rather, because of his position in his organization, he is often the trustee of the properties and interests of many fellow citizens. He may have even greater responsibilities in this field. He never, however, has greater privileges than any other citizen.

In all of Champion's communities we have tried to take an active interest in community affairs, guided only by what appears to be in the interests of the community as a whole.

We endeavor to do our share in financial support of the social agencies in the community. We try to keep abreast of developments in legislative and public affairs, so that we can offer counsel and guidance on a knowledgeable basis and share our information and opinions with others.

We encourage employees who wish to become actively engaged in local political and public activities to do so, without expecting them at any time to represent the company's interests as such.

As one man in our Texas Division said recently, very frankly and honestly: "If I get elected to office I won't be able to help Champion at all. But maybe I can help our community, and that's dividend enough." We agree. We don't want special favors. We want good government, and good government for all.

Because our company does business in forty foreign countries, our interests must extend far beyond our national boundaries. So, as do many companies, we must play a role in the struggle for the survival of free enterprise and democratic institutions throughout the world.

Throughout the free world there is an exploding desire of its people to improve their standard of living, their health, education, transportation, industry, agriculture. They are going to get help from some place. Either the United States will move forward aggressively to help them achieve their goals, or they will turn elsewhere.

Free enterprise must increasingly go abroad to provide for people in the growth countries of the free world, the advantages that can be gained from our capital, technology, and management know-how.

American business — and its industrial plants, are one of the most important battlefields on which the world's struggle is being fought today. Peoples around the earth, now that they can compare political and economic realities, will not look to what we say our system is, they will look to what they can see it is.

American businessmen must today do some careful re-evaluating of their objectives and develop a course of action that will enable them to exert the vigorous leadership needed for the survival of free enterprise. New frontiers confront us. In a sense, they are as challenging as the frontiers that confronted our forefathers.

A healthy, dynamic and vital domestic economy must be the solid foundation from which we carry the offensive. We

must have a sound tax structure. We must generate adequate purchasing power for our mass production capabilities, without using this need as an excuse for inflation. We must have greater interest in sound government, because government will always have the job of writing the rules of the game. And we must be dedicated to maintaining the freedoms that have been the bulwark of our nation.

We must be eternally vigilant to be sure that while we are trying to strengthen our position in the free world, the foundations are not being eroded at home. That danger is present and real. All this can only be well done by leadership through participation. It must be recognized that these efforts are not selfish capitalism, but a fundamental part of the concept of survival.

We must demonstrate to the world that the free enterprise system in the 20th Century can come closer to the fulfillment of the needs and desires of men and women everywhere than any other system. And, I repeat, that the ultimate goal of productivity and profit is the assurance of freedom and well being for all men.

Freedom in Action on the Precinct Level

If going into public affairs means simply *individual persons* becoming involved in public affairs, just what is all the fuss about? Aren't people already in public affairs?

The bedrock of the question is simply, "How many?" How many, for instance, are in public affairs in the most rudimentary sense, as voters? Most of us have a realization that far from everyone who *can vote does* vote. Nothing can sharpen our perspective of the situation, however, like an actual demonstration. It is based on experiences in Champion's home county in Ohio. But I assure you that the proportions involved are true generally, even if the specific figures aren't.

The superficial statistics of the democratic process in our county show that there are an average of about 480 persons eligible to vote in each political precinct. That's quite a crowd, actually. Multiply that by the thousands of precincts in America and the strength of our system, with a voice for everyone, seems towering. But the statistics do not tell the story at that level at all.

We find that only 360, on the average, of our full voting contingent are actually registered. By the time election day rolls around we find that only 288 actually get to the polls. Others registered, but then found some more important reason to stay home on election day — some reason more important than the freedom of their nation and their role in it. Whatever the reason, almost a third of the eligible voters didn't vote.

Because our home county is pretty evenly split between Democratic and Republican voters, that means that about 144 persons represent the "will of the people" in an average precinct.

More importantly, what about the primary elections, the time and place where the actual candidates are selected? That's the key to the election, really. After the selection of the candidates, the rest of the voters simply have a choice — made by someone else — between two men.

Well, in our primaries, less than 60 voters turn out in each precinct for each of the party primaries. Just a simple majority of those voters, about 30 persons, call the basic turn. They pick the man for whom all of their neighbors and party colleagues get to vote.

Now how does our statistic of freedom in action really look? It looks as though 30 persons, a group one could handle in one's own living room, set the stage for the political fate of every other man, woman and child in the precinct.

And now we have the hard, true answer to the question of whether or not Americans are participating in their governmental processes at the most basic level. The answer is "no". The challenge to every one of us is clear and immediate.

"Politics is the business of business itself, just as surely as it is the accepted responsibility of business to assist in charitable endeavors and community improvement. Without a healthy political life, those other activities can become meaningless"

Importance of a Healthy Political Climate

What we have just demonstrated is both the strength and the weakness of the political system on which our freedom is founded. It gives an opportunity for everyone to play a role in governing his own affairs. It also provides the opportunity for an active few to control the apathetic many.

Going into politics starts with your own individual effort to become and remain an active voter. It grows in opportunity and responsibility with your individual effort to actually work for the party of your choice. To work its precincts, help count its ballots, write its platforms, raise its money. And finally, of course, it can peak in the possibility of an actual candidacy for office.

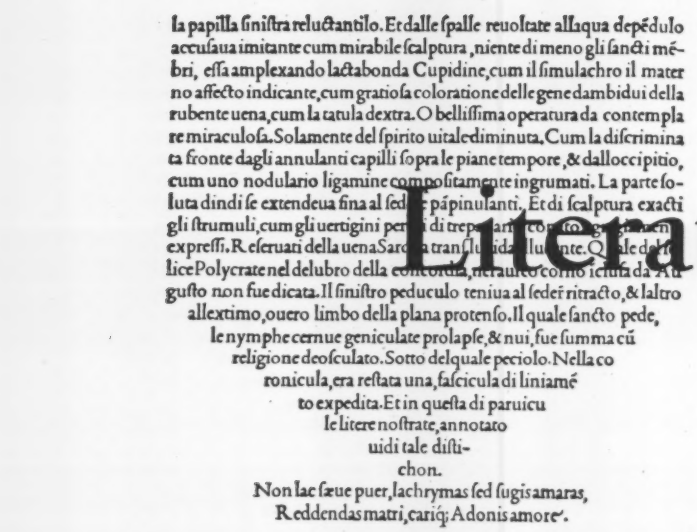
Politics is never someone else's business. It is *your* business. And to the extent of encouraging realization of this, it is the business of business itself, just as surely as it is the accepted responsibility of business to assist in charitable endeavors and community improvement. Without a healthy political life those other activities can become meaningless.

Our own Declaration of Independence says it better and more imperishably than I or anyone else could. Do you recall how the historian, Dumas Malone, summed up its basic message?

"Government and every other form of public control is a means to human wellbeing, not an end in itself. Man is not made for the State, but the State for man, and it derives its just powers from the consent of the governed. No sort of rule can justly rest on power alone — and here is the eternal answer to all forms of tyranny over the person, the property and the minds of men."

Industry's role as a citizen will be determined by the extent to which we pledge to do our full share to preserve free enterprise and democracy, and to recognize the dignity of the individual, in all people wherever they may be. ■

Literature As



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By J. L. VAUGHAN

THOUGH literature contains the best that man has thought and said and deserves the highest respect and most serious scholarly investigation, there is also much in great masterpieces that meets a humbler need. By the mystery of genius, these great works catch something of the spirit of man as he grapples with the whole range of common and universal problems.

The purpose of this essay is to suggest that business executives and those in schools of business might explore great literature as case history to discover how situations develop and men act when meeting them. This type of treatment is not for the literary historian or critic. He has a different and, perhaps, more honored role of scholarly compilation and interpretation. The study of literature from the "applied" point of view is a humbler task, but this approach can bring literature to life and reveal at least some part of its secret to the men who work in the market place.

Once the point of view is established and illustrated, anyone can make the practical applications at his leisure and for his own delight and benefit. The writer makes no claim that his interpretation is necessarily correct nor the only one. In fact, great literature is capable of innumerable different interpretations and no one has exclusive knowledge of what it means, and that is the fun of using it for case studies. If the treatment seems superficial and over-simplified, the reader must remember this is a suggested approach, not an exhaustive study. In practice, each one of the masterpieces should be examined at length and in depth.

To show the thing is done, a cursory glance may be taken at three of Shakespeare's tragedies, *Macbeth, Hamlet,* and *King Lear*. The plot of each of these plays is well known but a summary will help in the study of each. Macbeth was a promising young chieftain whose ambitious wife

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Case History for Business

wanted him to attain a high place at any cost. Seizing an opportunity to kill the king, Macbeth carried out his evil plan to win the kingship and satisfy his wife's mad ambition. Losing all sense of values, he continued the carnage by having Banquo ambushed and managing the death of Macduff's wife and children. At this point, the terrible revenge begins — Lady Macbeth loses her mind and Macbeth's whole world collapses, ending in his death at the hands of Macduff. Throughout the play the witches have added eerie "voices" which Macbeth interpreted as commands to go ahead with his horrible plans. He heard exactly what he wanted to hear and filtered out the rest of their message.

This inadequate and over-simplified resume serves only as a starting point for our case study. Everyone knows the man consumed by ambition and his wife who will stop at nothing to gain what she wants. Each step in the play can be found in life around us because we know Mr. and Mrs. Macbeth who will betray anyone and murder, if necessary, to satisfy overweaning ambition. Once such people come into office or manage a meeting by way of a cleverly arranged social event, such as a cocktail party or dinner, the businessman knows he has a Macbeth situation on his hands and can be on guard. The little things they do betray them.

There is also another side to this play. It helps us to be alert to our evil thoughts and keep them under control so that what ideals and moral standards we have do not slip and take the first fatal step that leads to the abyss. Dante's *Inferno* vividly depicts the consequences and provides chapter and verse on the theology of the problem Shakespeare opens up.

From this point on, the reader can study the plan in great detail and see what a great genius like Shakespeare can do with plot, character, and matchless language. The businessman who wants to know how to speak and write will find Shakespeare a better teacher than those who advertise "quickie" courses in such matters.

"What is a man . . ." — *Hamlet*

Hamlet is a study in indecision and dilemma; he was thrust by circumstances beyond his control into a situation he did not know how to handle. Everyone is a Hamlet and has to make decisions and act whether he wants to or not.

Hamlet debated with himself, devised a plan to give him some facts, and then moved fast to resolve his problem. Impetuous, perhaps half-mad, he did what he thought was necessary. In my opinion, there is no piece of literature that provides more opportunity for study in the factors of decision-making, because it deals with the nature of man and his problems. The counterplot, centering around Laertes, affords a striking contrast in character and approach to the same problem of avenging his father who had been killed by Hamlet.

King Lear is a study in geriatrics and the problems of retirement and old age. Everyone has to deal with senility both in others and himself. The attitudes of the characters toward old age are most revealing. This thought-provoking and pathetic story is alleviated by the bright character of the realistic and honest Cordelia who remained faithful and considerate at great cost to herself.

Turning to Homer's epic, *The Odyssey,* one finds a whole range of episodes deserving study. The sirens sang a beautiful song to betray the unwary into shipwreck and disaster; men before and since have made the same mistake. Circe has turned many men, by potent drink, into swine. The

"The man who is to rule / Must find in ruling his sole happiness; / A high will makes his breast a crowded school / But what he wills no man can plumb nor guess. / He hints to trusted ears a plan disguised / And it is done—and all the world surprised. / Thus will he always wear the highest crown / As worthiest of it—pleasure brings one down."

— Goethe's "Faust"

land of the lotus where Odysseus' sailors ate the luscious fruit and forgot home, friends, and responsibility is a familiar sight to the executive who has seen men get too satisfied and comfortable and want to stay put and live in a comfortable rut. After the triumphant moment when he has outwitted and blinded Polyphemus, the giant Cyclops, Odysseus yields to the temptation to brag a bit and shout defiance at the monster. Enraged, Polyphemus tears off the top of a mountain and hurls it in the direction of the taunting voice and almost sinks Odysseus' ship; the lesson is frighteningly real, bragging so often proves fatal.

Then there is Calypso, the luscious, who offered him all the pleasures and comforts of domestic life if he would only remain with her. Her charms would have made a less resolute man decide there was no point in going home to face the hazardous and difficult tasks of expelling the suitors, reclaiming his kingdom, and restoring order to his kingdom. To leave Calypso, where everything was easy and satisfying to the flesh, and push on to answer the stern call of duty was a test that many have failed. The short versus the long view, and the easy versus the difficult way need only be mentioned to those who judge men in critical situations.

Another great scene occurs when Odysseus returns home and finds the suitors in charge and wrangling over who will marry his wife, Penelope. At this moment, these scoundrels agree to permit the one in their company who can draw the long bow to marry Penelope. This bow could be drawn only by a man of Odysseus' cunning and strength and in the finale he took command, drew the bow, and won the day. How many men have deceived themselves into thinking they could accomplish a feat beyond their skill and strength? In business, as elsewhere, the unprepared and unskillful, possessed of nothing except gall and vanity have utterly failed at the crucial moment.

"What will you wager?" — *Goethe*

Goethe's *Faust* raises the question of what a man's price is or what he will sell his soul for. The devil offered sexual satisfaction, wealth, and power. Faust yearned for the satisfactions the world can give and thought he was willing to pay the price until the crucial moment of accounting arrived. Too late, he discovered that even he had a latent sense of values and that he had sold his only priceless possession—his soul.

Cynics say every man has his price. One who reads *Faust* has to face the question of value, and what one wants out of life and what he is willing to pay. The whole question of what things come first is raised. Family, professional attainment, recognition, possessions are a few of the things put in the delicate balance, and what gets priority reveals the character of a man. As many an interviewer has discovered, it is revealing to see what each human chooses when asked: What do you want out of life and what price will you pay? This is *Faust*.

Oedipus Rex by Sophocles is a sobering story of the circumstances of life that entrap a man and deal him a terrible blow, though he is in no way responsible for the tragic events.

Triumphant after solving the riddle of the Sphinx and becoming king of Thebes, Oedipus knows all the answers. Then Thebes suffers a plague and the people turn to their confident young leader. Puzzled, but undaunted by this disaster he vows to discover the reasons for their troubles. When the oracle discloses that an offense has been committed against the gods, Oedipus is quick, too quick, to pronounce a curse against the criminal and promise to punish him.

The unrelenting search begins and gradually evidence points, step by step, to the fact that Oedipus has killed his father, Laius, who was disguised; married Jocasta, his mother; and angered the gods into punishing Thebes. Trying desperately to find someone else who can be blamed, Oedipus turns on Creon and others, but finally a herdsman tells how, to avoid the difficulty prophesied by the oracle, Oedipus, instead of being left to die, was taken to Corinth where he was raised by the king, Polybus.

Then Oedipus, who was all confidence and knew what to do, realizes he is the victim of circumstances and must suffer exile and blindness and has brought disgrace to his daughters.

Here is the story of fate; in popular phraseology, he had to endure suffering because "life is like that." The successful man has been struck down through no fault of his own and loses all he has because of a trick of fate. The saving virtue of Oedipus is that he accepts what comes and faces life with courage and fortitude.

This is the old, hard luck story and everyone respects Oedipus because he makes the best of the situation and goes ahead. Later, in *Oedipus of Colonos,* the playwright shows a man now poor and blind who sees because he has suffered enough to understand. Certainly these plays point up the lesson of patience and courage in the face of life's hazards and inexplicable events. The chorus sings: "Therefore wait to see life's ending ere thou count one mortal blest; Wait till free from pain and sorrow he has gained his final rest."

"I know all save myself alone" — *Villon*

Francois Villon's *Testaments,* or poems, cover a variety of moods and raise some hard questions. One of them, "Why Am I Called a Thief by Thee?", depicts a pirate arraigned before the emperor for capturing and destroying a ship. The pirate asks, "What's the difference between my taking one small, feeble ship alone and your conquering a whole country; is theft not just a matter of degree, where

you, oh emperor, operate on a large scale?" In the moving poem, "But Where Are the Snows of Yesteryear?" Villon raises the question about the passing of all human things. He mentions Lady Flora, Heloise, Queen Blanche, and good Joan (of Arc), and then asks, "Where are the snows of yesteryear?" One of his most penetrating poems, "I Know All Save Myself Alone," poses the question: Does anyone know himself? Many times the business man questions whether he knows anyone, especially himself.

Chaucer, man of the world and diplomat, caught the freshness of medieval England and showed how a keen observer could detect the character of people by their mannerisms. With an amazing power of summary—the rare ability to get to the point—he described a distinguished lawyer in the Prologue to the *Canterbury Tales* as one who was wary and wise and always seemed busier than he was. The doctor of medicine knew how to diet and loved gold in especial. In his descriptions of the immortal twenty-nine pilgrims, Chaucer, from long experience, gave an insight in how to interview and detect basic traits of character by studying people and their mannerisms.

". . . The life which is unexamined is not worth living" — Socrates

In *The Dialogues,* those fascinating conversation pieces, Plato brings to life the beguiling Socrates. This ugly, unprepossessing fellow has been school master to the world, and countless men have considered themselves fortunate to sit at his feet. When Socrates began an argument, he showed everyone how to proceed. With protestations that he was an humble; unlettered man, Socrates insisted on adequate definition of terms, clear statement of the scope and limit of the argument, and agreement on the level of the treatment, so that everyone understood the range of language and the semantics. Then Socrates sought to entrap his opponent to the delight of everyone except the man under cross examination.

In the "Apology" and other dialogues, Socrates demonstrated the power and imperishability of ideas. Quite naturally he frightened and antagonized some of the leaders in Athens. To rid themselves of this menace who urged the youth of Athens to question and think for themselves, his enemies levelled at him the charges that have since become well known. He was accused of blaspheming the gods, corrupting the youth, and making the worse the better cause. From that time, thinking men have been suspicious of accusations like these and questioned the motives of those resorting to such tactics. It is a useful experience to discover how demogogues, especially when scared, will hide behind sweeping, general charges, hoping at least one will stand up. In face of this sort of thing, Socrates handled himself in a manner that will bear long and close study by those who want to see a master at work, considering the purpose he hoped to accomplish. This great "gadfly" has been exciting men's minds from that time to the present. Learning to ask, "What is this and what is its function?" is an illuminating experience, especially to the business executive beset with every known form of chicanery. Socrates is a healthy antidote to the factitious and meretricious because he knew the force and appeal of complete dedication and integrity.

> *[Socrates:] "I would rather die having spoken in my manner, than speak in your manner and live. For neither in war nor yet at law ought I or any man be willing to say or do anything to escape death . . . The difficulty, my friends, is not to avoid death, but to avoid unrighteousness, for that runs faster than death."*
>
> *— Plato's "Apology"*

Jesus Christ was also one of the great leaders and teachers of men. With a full appreciation of His character and mission and the power of the Holy Scriptures, it is not irreverent to point out that the Four Gospels are, in my judgment, the finest books on management and human relations available. There are no better accounts of character types, the tests for judging men, and examples of the overwhelming power of the effective use of language. Jesus knew how to handle men and situations. For example, His advice to His disciples as they went forth to carry the gospel to the world was, "Be ye as wise as serpents and as harmless as doves." With this simple but subtle injunction, Jesus sent out a group of men with an idea that was to be a potent force throughout the ages.

In everyday affairs, there are many examples of Lord Jim, a character in the novel of the same name by Joseph Conrad. When Lord Jim deserted the ship of which he was captain, he found within himself a flaw of character. The rest of his life Lord Jim lived with and fought against this fault and finally died a hero's death to prove to himself that he could act with a courage in a crisis. Many of the great books pose moral questions and here Conrad presents a character who faces the crisis and fails; then wins. No one really knows what he will do until he has to act at the critical moment. He may be a coward or hero but does not know which until the test comes.

This essay could be extended indefinitely and a chapter, or more, could be written on each of the books mentioned. The purpose, however, is to suggest one possible approach and nothing more. That it is not new or original is readily admitted. That lasting and challenging books in other fields, such as theology and philosophy, offer just as much, perhaps more, to the business executive who wants to bring them to bear on his work no one would deny.

My purpose has been to suggest that literature can be applied in such a way that an executive can study the masterpieces to enrich his background and sharpen his perception as he conducts his affairs. Oedipus, Odysseus, and King Lear, as well as all the others, are a part of the panorama of life, yesterday and here and now.

When this discovery is made, the whole world of literature offers case studies of infinite variety that come alive for the man who wants to look at people as they travel the high road of life. He might even learn the difference between a Snark and Boojum and that would provide enough fun and enlightenment for a lifetime. Who could ask more? ■

JIM BELLOWS, plant manager of the XYZ Corporation, was seated behind a desk when Tom Mills entered. The conversation went as follows:

"May I have a word with you, Jim?"

"Shoot. My door is always open. You know that. What's the problem?"

"It's the boiler!"

"What boiler?"

"Well, the same one."

"The one we just had fixed last week?"

"Yup. On the fritz again."

After about five minutes of conversation a third person standing by, slapped his hands twice, and both men got off the low platform and rejoined the other twenty men in the training room. Jim Bellows and Tom Mills were "students" in a group which featured role-playing as the major training procedure.

In hundreds of locations throughout the country, thousands of executives are getting training experience by means of role-playing. What is this procedure? What are its advantages? To answer these and other questions, let us follow Jim Bellows.

To his position as plant manager of the XYZ Corporation, Jim Bellows brought an excellent background; he had two years of blue shirt experience in the same company prior to the war, then three years of military experience rising to the rank of captain, then he went to college on the G.I. bill, and graduated from a first rate mid-western college in engineering, and was then employed at the XYZ Corporation as a junior engineer, and after eight years rose to the position of senior engineer. A year before the scene we have just recounted, he was upgraded to plant manager, supplanting Earl Fredericks who had served for twenty-some years. Despite the fact that even other hopefuls for the vacancy regarded Jim as well qualified and entitled to the job; despite the fact that Jim gave the position all that he had, things had not worked out well. Production, accident, turn-over, rejection rates were in the wrong direction. Worse than that, morale was evidently poor. The harder Jim tried, the worse things seemed to go. He seemed well on his way to getting ulcers. That Jim was an excellent engineer no one doubted; but when it came to his managerial ability . . . that was another question. One day, the president called him in and informed Jim in all frankness that unless something was done, Jim would have to return to his former position. As a result of the discussion Jim enrolled in a course in management training.

Unlike the ballplayer or the pianist, today's manager ordinarily can practice his skills only in real-life situations — where results may be disastrous. One solution to his dilemma may be:

Analysis and Discussion of Role-Playing Session

"How did the interview go?" the director asked Jim.

"O.K. It was natural. Nothing special."

"Would you say it was typical of your interviews?"

"More or less."

"Do you think that you made any serious human relations mistakes?"

"No, I don't think I did. It was just an ordinary interview."

"Well, Jim, as you know we believe in the principle that we can learn a good deal about ourselves from others. That is to say we cannot really learn how we affect others unless others tell us. Usually, no one tells the boss what he does that's wrong. Here, it is a different situation. The members of this training group want to learn about themselves, and so, just as you will analyze and criticize them, they will analyze and criticize you. After we find out what this group thinks is wrong with your behavior, we can then help you practice by means of role-playing so that you will be able to avoid any mistakes you may be making. You do understand that?"

"Well, that's what I came here for, to find out what's wrong."

The director advanced to the blackboard. He asked for specific errors that Jim had made during his interview, then

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ROLE-PLAYING

Its Use in Industry

By RAYMOND J. CORSINI

asked for how many agreed that Jim had made the specific errors suggested, and finally on the blackboard the following summation appeared:

Jim's Errors

Voice too loud	15
Interrupts too much	14
Doesn't seem to listen	11
Bossy attitude	8
Over-aggressive	7
Speaks too fast	6
Too abrupt	4

After opinions were in, a general discussion took place. Jim, in the meantime, copied the errors on a sheet of paper, which errors were to be eliminated by means of role-playing in future sessions. The list was to serve as a diagnosis of what was wrong with him as a leader and would be supplemented by further analysis and discussion in subsequent sessions.

After a short "break" Herman Sparks went up to the platform to role-play a situation, and this time Jim Bellows watched critically to see what errors Herman might make.

After every member had been "diagnosed", further role-playing would be engaged in in an attempt to give the participants practice in trying out new methods of dealing with people.

Three General Purposes of Role-Playing

Role-playing is simply adult make-believe. Used in

industry mostly by training directors, it has three general purposes, illustrated in the prior example. First, it is a method of *testing*. By acting out realistic situations, others can watch and evaluate the participant who in the spontaneous enactment of a contrived situation acts "true to type" and indicates to alert observers certain typical patterns of behavior which may cause the individual a great deal of trouble. Second, it is a method of *instruction*. Those in the audience watching Jim learn "right" and "wrong" ways of behaving. And finally, and most important, role-playing is a method of *training*. By practicing alternate ways of acting, one can unfreeze rigid patterns of behavior through experimenting with new procedures and styles.

The basic theory of role-playing is simple. Dr. Robert C. Tryon, professor of psychology at the University of California, one of the individuals responsible for the introduction of role-playing in the O.S.S. puts it this way: "Isn't it plain horse-sense to observe men in as nearly life-like situations as possible before deciding who will be selected for such work? By life-like, I don't mean "cloak-and-dagger" situations only but the complex highly-pressured life-situations that for effective action require successful execution of social and other problem-solving roles."

We may consider the theoretical arguments for the three major classes of uses of role-playing in a more detailed manner.

TESTING: The most valid test of a function is the function itself. While, for example, one may find a slight correlation between actual typing ability and speed of tapping or knowledge of a typewriter's parts, the best test of typing is typing! To test a person's ability to transact successful interactions with others, as for example in selling or in supervising, means such as job questionnaires, letters of recommendation, projective and standard tests and interviews are theoretically inferior to job-samples. Role-playing represents a real-life tryout, and because it calls for the immediate spontaneous reaction to a complex situation with its intellectual, emotional and behavioral demands, it demonstrates to observers what a person can actually do in a very short time and presumably to a very high degree of validity.

INSTRUCTING: One of the important problems of industry seems to be communication. Frequently it seems very hard to "get across" to others the seriousness of an issue, or the importance of following a procedure. One finds it hard to really get the "attention" of others.

When role-playing is used for the purposes of instruction, those who are observing are "interested" because nothing exceeds people in action as subjects of attention. Supervisors can use people as living audio-visual devices to put points across dramatically and effectively.

TRAINING: The major use of role-playing in industry is for training, and its advantages, especially in human relations situations are evident. Instead of "telling" people what is wrong with their approaches to life problems — a procedure which despite its generality has not really proven its advantages — through role-playing the individual learns autonomously just by enacting himself in a neutral situation where he is more "self-conscious" of what he is doing. Also, he learns from the critical observations of others — as in the case of Jim Bellows.

To learn new and better ways of behaving, we have to practice. The ballplayer, the pianist and the surgeon practice their skills continuously, but where can leaders practice *their* skills? Ordinarily, only in real-life situations — where failure may be disastrous.

SOME USES OF ROLE-PLAYING

- *Handling Grievance Problems*
- *Interview Training*
- *Executive Development*
- *Group Psychotherapy*
- *Analyzing Personalities*
- *Retail Selling Training*
- *Counseling Training*
- *Settling Industrial Disputes*
- *Human Relations Training*
- *Conference Leadership Training*
- *Sensitivity and Empathy Development*
- *Teaching Personnel Administration*

Formats and Techniques

Role-playing is not simply acting out a prescribed problem. Over the years a large number of special techniques and formats have been developed and designed to do specific tasks.

MULTIPLE ROLE-PLAYING is a procedure in which very large groups of individuals can role-play. From a larger group, smaller groups are made up, in each usually a person who plays the major role, known technically as the protag-

onist (in the situation with which this article started, Jim Bellows was the protagonist, and Tom Mills was his antagonist), one or more antagonists, depending on the problem, and one or more observers, who later report what happened in the small group to the group as a whole.

VARIABLE STRUCTURING: The amount of information given to participants in role-playing may run from almost nothing at all to very complete case histories of several pages. For example, in the Jim Bellows case he was told the following — and example of minimal structuring — "You are in your office when one of your subordinates (use his own real name) comes in to see you about a problem. It is a normal day for you, and you will act as you would ordinarily." The antagonist in this problem, played by one of the other trainees, Tom Mills, received this set of instructions: "You are an engineer and you will go to see the production chief (use his real name in talking with him). The problem is a boiler is going out of functioning. It was repaired last week while you were in the hospital having a minor operation. It is still functioning, but it should be re-examined and repaired. It was fixed by outside firms specializing in boiler repairs. Its shut-off will mean thousands of dollars of losses to the company. Try to get the chief's opinion about what to do."

In role-playing for testing purposes, such a script would not be unusual; for training purposes, more complex scripts would ordinarily be used. When the purpose of role-playing goes to "deeper" levels of personality, ordinarily no scripts are used, and problems are taken from the participant's own experience. There are many variations in "structuring" problems, and these variations are employed to attain special ends.

Of great interest to role-playing directors are the special techniques employed to attain particular purposes such as insight, empathy, sensitivity, understanding, skills, etc. Among the more common are the following:

ROLE-REVERSAL: The purpose of this technique is to put A in B's shoes. This is done by having an individual, playing the role of A, suddenly change to the role of B, carrying on from any particular point. By switching roles, A now can see how B feels. This procedure is most effective in dealing with individuals who are strongly set in their positions. Putting a strongly anti-union business man against a labor organizer would be an example of *straight role-playing* in which he plays a familiar-to-him role; but suddenly requiring him to change over and play the role of the union organizer, is an example of role-reversal. In this manner, he will then begin to understand the point of view of the labor man.

MIRROR TECHNIQUE: The Mirror Technique calls for the individual who has already played himself in straight role-playing now to sit in the audience and to watch himself replay the role! This is done by having someone else take the role of the individual and replaying it. To illustrate: if in the example we have already cited, after Jim Bellows had sat down, Frank Hardy had come up and replayed the role Jim had done, *doing it as Jim did it,* Jim then would be watching himself as in a mirror.

INNER THOUGHTS: When A deals with B, he tries ordinarily to understand B, to empathize with him. Some people can empathize well, others poorly. To help people learn how they really affect others, the *Inner Thoughts* technique is used. This is how it goes. A and B interact in some problem. C stands behind B and expresses his "inner thoughts." For example, indicating inner thoughts expressed by C within parentheses, the conversation between Jim Bellows and Tom Mills might have run as follows:

Jim: The boiler is your responsibility. I just can't understand it going bad again so soon.

Tom: Well, as I just told you I was in the hospital, and wasn't around to see what was being done. (C: I don't like your tone of voice.)

Jim: Even so, what kind of people do you have working for you?

Tom: They're alright. I suppose that they hoped that the repair people knew their business. (C: What are you trying to do: start an argument?)

Applications

The original use of role-playing in business and industry in this country was in sales training. Since the end of World War II the major use has been in management development, with the primary purpose of teaching leadership skills. Reports coming from various universities and training institutes indicate that the procedure is finding general acceptance, even though in some instances cases are found where active objections to role-playing are displayed. Inept handling by inexperienced directors seems to be the major reason for non-acceptance. Role-playing directing calls for considerable skill and tact in handling people, and at least at the present time, there is no school that teaches this skill, which has to be picked up through reading and observing others.

Among the uses cited in the literature are the following: handling grievance problems, interview-training, executive development, group psychotherapy for disturbed employes, analyzing personalities, retail selling training, counseling training, settling industrial disputes, human relations training, conference leadership training, sensitivity and empathy development, and teaching personnel administration.

American business most probably will become much more familiar with role-playing in the future. The success of many enterprises, restricted as they are by union contracts, governmental regulations, and the general absence of trade "secrets" will depend increasingly on building corps of effective leaders who can get industrial teams to produce more efficiently. Old style leadership patterns, whether of the so-called authoritarian or democratic types, may have to give way to more flexible ones in which the leader-led relationship will be regarded as spontaneous transactions calling for flexibility, empathy and morale-building elements.

To develop this new style of leader, it seems quite evident at this time that intensive training procedures of the role-playing type will find a great place in American industry. ■

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A COMMONLY accepted principle in American industry is that employees should be equitably paid according to the relative difficulty or demand of their jobs. The process used for comparing one job to another is job evaluation — either by one of numerous formalized systems or by some informal procedure. I am in favor of rationality. Thus, to the extent that job evaluation helps to bring logic to bear on the problems of paying people, I am for it. I maintain, however, that within a free enterprise system rationality in terms of economic reward can be applied only in a limited area.

Let me cite a few examples of what could be considered a lack of reason on the part of our society in rewarding people:

1) A top major league centerfielder can earn $80,000 a year. The president of a leading private college might have a salary of $20,000. What kind of job evaluation system can equate this relationship — unless a majority of the points are given for eye-hand coordination? I am not knocking the national sport. I am a fan. It seems to me, however, that there is room to doubt whether this pay relationship reflects the relative value to society of these two positions.

2) A beer distributor might earn $20,000 a year. A scientist who discovers a new drug which would alleviate the suffering of millions of people could be paid half that amount. Perhaps beer relieves more suffering.

3) An uneducated kid with a guitar and the proper nasal twang can easily earn ten times as much as a highly trained social worker. It seems to me that we are paying a considerable premium for adenoids.

4) A corporation president can make a half a million dollars a year in a company in which a machine operator is paid $5,000. Undoubtedly, the president's contribution to the business and to society is many times that of the machine operator's. How much reason, however, is applied to determining exactly how much more he is worth? What kind of evaluation system could accurately determine that one position in an organization is one hundred times more difficult than another?

The Market Place As a Factor in Economic Reward

Job evaluation men will protest that these are not job evaluation situations. This protest is in perfect order because it is correct. Let's take a look at the significance of these illustrations in terms of job evaluation and wage administration.

Perhaps you will agree that there is something other than pure logic involved in the above pay relationships. The other element is the market place, which is the major determinant of what rewards people receive for various jobs in our society. People are paid, in a general way, according to what we as a society are willing to pay for the service they perform. Society's decision may be, in light of an individual's ethical principles, wise, stupid, good, or evil but it is overwhelmingly powerful.

Most people, I believe, tend to compare their earnings (with consequent satisfaction or dissatisfaction) to others in the same type of work or to those with whom they relate themselves in terms of social status. The fact that Mickey Mantle earns many times more than a toolmaker, for example, is unlikely to make the toolmaker feel underpaid.

The most important factor in the success of a job evaluation system is not the inherent

COMPENSATION, LOGIC, and the MARKET-PLACE

By WALTER SIKES

He either may or may not feel that his pay is equitable compared to the president's salary, but he probably does not spend much time worrying about it. If the rate of a drill press operator, however, gets too close to the toolmaker's rate, he will have strong feelings that he is not being fairly rewarded.

Job Evaluation Not Inherently Scientific

These observations lead me to the following thoughts about job evaluation:

1) It can be effectively and usefully applied within and between groups which are occupationally related. This can be arranged by grouping jobs into "families" for comparative purposes as is done in many plans.

2) It can help to develop an understandable pay structure and it contributes to establishing equitable relationships between jobs through encouraging objective, thoughtful analysis. These relationships can then be better explained to the people involved.

3) The most important factor in the success of a job evaluation system is not the inherent logic of the system or the statistical sophistication with which it is constructed. The key to success is the acceptance by the people to whom the system is applied. Obviously, a system that is thoughtfully and carefully constructed is advantageous. A very good system, however, which is poorly introduced can fail to increase the understanding and acceptability of the pay structure.

4) It cannot be applied to occupations or individuals upon which society places a very high premium. If an organization wants to hire such people, it will pretty much have to pay their going rate as determined in the market place. This applies to many executives who have caused considerable embarrassment to corporations which try to fit them into their job evaluation systems.

5) Organizations must be sensitive to changes in the market place evaluation of occupations and must be prepared to make pay adjustments accordingly. This process is, of course, nothing new. For the last several years, for example, nearly all companies have been changing the relative pay position of young engineers. I think, however, that we sometimes cause ourselves unnecessary difficulty by not straightforwardly making provision for adjustment to these market place forces without complex rationalizations to account for them in our job evaluation systems.

6) We personnel people, like others, are occasionally prone to sanctify numbers; forgetting that the numbers have no more accuracy or validity than the judgment that creates them. This danger is particularly acute with processes like job evaluation which can give the impression of being much more scientific than they really are. It is well to keep in mind what we are trying to achieve so that the system itself does not become the end.

If job evaluation provides a positive factor in employee relations through increasing the understanding and acceptance of pay rates, it is a valuable tool. If it does not perform this function, I doubt that even the soundest technical system is really worth while. If this conclusion is correct, it follows that job evaluation plans need to be designed, instituted and administered so as to maximize their employee relations value — rather than placing the major emphasis on statistical accuracy. ■

logic of the system or the statistical sophistication with which it is constructed . . .

The principles followed by big companies to build security and generate profits are applicable to any size of business

5 Universal Profit Patterns

By DONALD H. SUNDERLIN

HAS IT EVER occurred to you that there is a certain alchemy about the country's foremost corporations? Everything they do turns to gold! The essential difference between the methods used by modern industrialists and the chemists of the middle ages is the approach. The ancients attempted to effect the transmutation of base metals directly into gold. Today's business leaders see gold, or profits, as a by-product of a consumer want well filled.

With countless examples of good management before us, what can be learned from them? What do the leaders do that others can emulate to advantage? After spending thirty odd years in industry and seeing more than two hundred companies from the inside, we have concluded that the management principles followed by big corporations are essential to the success of smaller businesses. This belief has stirred up some spirited controversy until the whole subject has been discussed and understood. Initially, some have taken the view that we were theoretical and unrealistic,—the unkindest cut of all to former operating men turned consultants.

Recognition of Functions

Obviously, the principles used by big business must be reflected in practices tailored to fit each smaller business situation. For example, a very small company can not afford a specialist in each function and therefore several or many functions must be combined, but each must be recognized.

The solution is to group the functions in a practical way and to place the emphasis where it should be in the light of present and impending conditions.

By the same token, it could be suicidal prematurely to organize and staff the sales department on the same basis that it should be *after* the company's proper niche in its industry has been carved out.

Marketing consultants know that there are as many as sixty distinct functions involved in selling a product. General Electric Company may have sixty men in each of these functions and an alley plastics shop may have only one man for all sixty. Nevertheless, that one man must be aware of, and perform, the entire sixty functions to the optimal degree, to do a creditable job of selling hula hoops, toy automobiles, or the current craze — hand baskets.

The "Pathway to Profits" by which General Electric finds a need for a product and supplies it to its customers includes market research, market planning and product planning. This much is required to find out what can be sold, how much, what features are wanted in the product, and what the sales price must be. If the sales price must be too low to yield a fair profit, the project is dropped. If the economic possibilities are favorable, the Pathway to Profits is followed through the distribution stage: sales promotion, sales training, product service, sales personnel development, integrated sales programs, field sales organization, distributors and dealers.

The first profit pattern, available to any business regard-

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less of size, is recognition of the functions in each of its main organizational divisions: Sales, Engineering, Production, Finance and Personnel.

Organization Balance

Our next conclusion is that the organization structure must be changed from time to time to keep abreast of changing conditions. This applies to well established corporations the same as it does to small, growing companies.

Free enterprise, as we know it in the United States, prohibits a static relationship between competitors such as that found in baseball's big leagues. The Yankees' able general manager, George Weiss, operates under standardized conditions year after year. Corporation heads are faced with the vagaries of customer tastes, technological advance, foreign competition, anti-trust legislation, tariffs and numerous other handicaps requiring flexibility to maintain competitive strength.

When a business is starting, the gravest problem is often sales. To achieve organizational balance during that period, the emphasis should be placed on distribution. It would be the height of folly to build up the production phase at a time when orders are the crying need.

The second profit pattern is continual changing of the emphasis given each major function to provide fire power equal to the occasion.

Management Skill

Another conclusion we have reached, and one with which there has been more general agreement, is that profits depend primarily on people. After men, the other 4 M's of management—methods, money, machines, and materials—are relatively less important. By people we mean the directors and personnel in the top echelon of management. It is the kind of leadership given by this group that determines the degree of success achieved by a business enterprise.

A competent board determines lucrative and practical corporate objectives, it provides the policies for attaining them, and selects officers who are capable in their respective fields. The boards and top managements of General Motors, Eastman Kodak, Jersey Standard and others of like stature illustrate what we mean by "competent."

But, you say, "We can not afford Donners, Hargraves, and Holmans." Agreed. Anyone can, however, afford the caliber of directors compatible with his company's position in its industry. Directors' fees are a tremendous bargain when wise guidance is obtained.

The third profit pattern applicable to any industry or size of business, is a Directorate composed of the right kind of men for the individual business. Such a board will properly staff the top executive jobs.

Pin-Pointed Responsibility

Our experience has led us to believe that each key man should be held accountable for his performance in terms of his job situation. Profits are sacrificed in the happy-family type of organization although each executive actually does his best. Without clear cut objectives, job boundaries, defined responsibilities together with the authority required to meet them, and measurement to appraise his success, any executive in this situation becomes unavoidably guilty of overlapping or, what is often worse, leaving voids between his job and those of his colleagues.

The greatest contribution of the many that Alfred Sloane made to General Motors is said to be his concept of organization. From top to bottom each key man is accountable for his stewardship of the Corporation's assets within clearly defined job boundaries. This principle is followed by U. S. Steel, and Thompson Products, as well as General Motors and the other large corporations previously mentioned.

The implementation of the principle in large corporations requires a highly developed organization structure with comprehensive controls and motivations. The corporations we have chosen as examples of management excellence evaluate results simply, regularly, and promptly. The operating heads are also shown where they fell down and how to prevent a recurrence.

Appraisal or evaluation is applied to every activity: sales volume, selling costs, delivery promises, quality of product, labor productivity, personnel turnover, material usage, maintenance costs, etc. In the Engineering Department, design projects are scheduled to control progress. Profit-minded management knows that a perfect design is uneconomic if it is so long in development that competitors capture the market.

Motivations range all the way from a pat on the back in recognition of a job well done to bonuses and stock options. Between these extremes come sound wage and salary compensation plans, merit rating, wage incentives, defined lines of promotion and man-power inventories. General Electric finds exactly the man wanted for a given set of circumstances as a result of each outstanding man's qualifications having been cataloged.

In smaller and even the smallest companies, we have

found the principle of accountability to be applicable when tailored to fit the case. The fourth profit pattern is individual accountability for results just as the proprietor of a small business is accountable for the profit or loss of his activities.

As the job responsibilities shrink, the demands lessen accordingly but no one in a key position should be free from a realistic appraisal of his performance.

Relative vs. Absolute Profits

Our final conclusion is that few businesses, aside from our models, are as profitable as they could be. In all cases these businesses are in the black; their earnings are enough to satisfy the owners or to prevent a top level upheaval. But they are coming nowhere near their full profit potential!

By way of contrast to show what can be done when a smaller business takes a page from the giants' book, consider the record of Sylvania Electric. 1951 sales increased 1841% over the period from 1935 to 1939. The corresponding increases for Square D, McGraw Electric, and Cutler Hammer were 785%, 613%, and 534% respectively. As a corollary, Sylvania's increase in net income was 580% against an average of 342% for the others mentioned.

Carrying the illustration a step further to prove that size is not a determinant, three cases may be cited. Each of three clients started a business with less than $30 thousand and built net worth in excess of $2 million in from 10 to 20 years. One of the companies started with only $1,000. All three were in different, but highly competitive, industries: fasteners, hardware, and automotive replacement parts.

The one thing the managements of these businesses had in common was determination to make them as profitable as possible. In boxing circles it is called the "killer instinct". This attitude created the climate for maximal profits.

The fifth profit pattern is determination on the part of those who control businesses to make all the money they legitimately and morally can. This precludes the dilettante, the aged, and the complacent.

Thus, we believe that the principles followed by big companies to build security and generate profits are applicable, when adapted, to any size of business. We have called these principles universal profit patterns for that reason.

How can anyone learn what the big companies are doing and improve his own business or his position? The seminars of S.A.M. and the American Management Association are an excellent source of usable information. The various professional societies cover their individual specialities very thoroughly. Finally, there is the experience of consultants specializing in the various fields of management. Through Chambers of Commerce or friends in other companies who have used consultants, the names of those who know how to solve your particular problems can be obtained. ■

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S.A.M. News and Notes:

Fischer Named to University Division Presidency

Harold Fischer

Role in Development of Student Chapters Is Cited

PROFESSOR HAROLD FISCHER has been elevated to president of the University Division of the Society for Advancement of Management, as part of the society's expansion of its administrative and educational activities.

Fischer, professor of business administration at Franklin and Marshall College, Lancaster, Pa., has long been active in S.A.M. affairs. In announcing the new appointment, Society president Dause L. Bibby said Fischer was "largely responsible for the development of the University Division to its present total of 161 chapters in the United States, Canada and Puerto Rico."

Major Step in SAM Program

Referring to Fischer's appointment and the recently-announced naming of Walter Mitchell Jr. as S.A.M.'s executive director (Jan. ADVANCED MANAGEMENT, p. 26), Bibby stated: "We believe these appointments represent a major step forward in the Society's program of developing a stronger, more vital organization for the management profession.

Held Various S.A.M. Positions

Harold Fischer began his S.A.M. career as a student member of the Taylor Society at Ohio State University during the early 1920's. Since that time he has served S.A.M. in several key positions, including president of the Lancaster Chapter, which he helped to organize; national vice president of membership; University Division vice president; and a member of the National and Lancaster boards of directors. He was made a fellow of the Society in 1955.

Another beneficiary of Fischer's talents is Franklin and Marshall College, which he joined in 1928, and where he is currently professor of business administration. During World War II he was the organizer and director of that institution's War Training Program, in which more than 2,200 men and women in Lancaster industries participated. He also served as founder and director of Franklin and Marshall's Placement Bureau, and organizer of its Evening Division, begun in 1944 to carry on community educational services started during the war.

Other highlights of Fischer's career have included: wartime memberships in the Area Training Council of the War Manpower Commission and the Regional Executive Committee of the Engineering, Science and Management War Training Program of the U.S. Office of Education; president and a founder of the Institute of Management; training consultant for the National Youth Administration; and charter member of the Middle Atlantic Placement Officers Assn. The latter group has awarded him honorary life membership in recognition of his services.

Professional Manager Award:

The Central Pennsylvania Chapter of S.A.M. recently awarded its Professional Manager Citation to William W. Sieg (center), president of Titan Metal Manufacturing Co. Division of Cerro de Pasco. Presentation was made by S.A.M. National President Dause L. Bibby (left). Looking on is Central Penn Chapter President Ray Farwell.

College Administrators, Senior Division Official Laud Student Chapters

INCREASED interest in the S.A.M. University Division by various college administrators was evident during the past semester. The following quotes are indicative of this trend:

"I am certain your organization serves as a constant stimulus for students throughout the country who are interested in this important phase of Business Administration education. It is good that there is such an organization as yours and I send you my best wishes for its continued growth and development." —James H. Halsey, president University of Bridgeport

"We are pleased that our students in the School of Industrial Management can participate in the activities of S.A.M., and all of us feel a great deal of pride in their accomplishments."
—Edwin D. Harrison, president Georgia Institute of Technology

"We are glad to have such an active chapter here on the campus, and I am sure this group will continue to provide a vigorous program of professional activities."
—J. Martin Klotsche, provost University of Wisconsin (Milwaukee)

The growing interest of business executives and members of S.A.M. Senior Chapters also has been most encouraging. This statement by H. O. Wood, manufacturing manager of Ethicon, Inc., Chicago, and president of the Clearing Chapter of S.A.M., illustrates this interest and support:

"During my recent visit to the Fall Conference in New York, I was very favorably impressed with the character, initiative and enthusiasm of the young men and women who are active in our student chapters throughout the country. At a recent board meeting of the Clearing Chapter my entire board was quite enthusiastic about sponsoring several student chapters at some of our local universities."

University Division Performance Award Standings—First Report

STUDENT CHAPTER	NO. OF POINTS
N.Y.U. (Day Div.)	2040
U. of Pittsburgh	1970
Louisiana State	1850
Auburn U.	1840
Ohio U.	1840
U. of Maryland	1840
Roosevelt U.	1745
Indiana U.	1740
Loyola (Chicago)	1740
U. of Houston	1710
Pennsylvania State	1640
U. of Wis. (Milw.)	1640
American U.	1625
Xavier University	1610
Georgia Tech	1565
Fenn College	1550
N.Y.U. (Eve. Div.)	1540
St. Norbert Coll.	1540
W. Carolina Coll.	1540
LaSalle C. (Eve.)	1510
Franklin-Marshall C.	1510
Purdue University	1490
Clarkson College	1480
Boston College	1470
Loyola (Montreal)	1445
Rider College	1440
Sacramento State	1420
Boston University	1380
Babson Institute	1365
U. of Kansas	1340
Quinnipiac Coll.	1325
Hofstra College	1315
U. of Illinois	1280
Butler University	1190
Los Angeles State	1180
McGill University	1165
U. of Mississippi	1120
U. of Tennessee	1110
Ohio State U.	1100
U. of Michigan	1095
U. of Bridgeport	1080
Kent State U.	1045
Long Beach State	1020
Duquesne U.	1005
Memphis State U.	995
U. of Chattanooga	975
U. of Omaha	975
U. of Richmond	970
U. of Minnesota	955
U. of Florida	950
Newark C. of Eng.	945
San Jose State C.	930
Pa. Military Coll.	920
DePaul University	910
U. of Arkansas	905
U. of Oklahoma	840
U. of Wis. (Madsn.)	840
Guilford College	815
Temple U. (Eve.)	780
St. Peters Coll.	750
U. of Baltimore	730
U. of Rhode Island	725
No. Texas State	710
Kansas State U.	710
U. of Scranton	615
Georgetown U.	600
U. of Pennsylvania	600
Santa Maria C. U.	595
St. Joseph C. (Day)	590
U. of Alabama	560
Drexel Inst. (Eve.)	540
Temple U. (Day)	530
U. of No. Dakota	505
Drexel Inst. (Day)	480
Bowling Green U.	470
Rochester Inst.	445
W. Virginia U.	405
Clark University	390
U. of Detroit	300

University Division News

By HAROLD FISCHER, President

THE VALUE of membership in the student chapters of S.A.M. is being recognized by an increasing number of students on campuses from coast to coast. Michael D. Basch, secretary, Clarkson College Chapter, expressed it very effectively in the following words:

"We again are proud to be a part of the S.A.M. Performance Awards Plan. It has helped us to become one of the leading organizations at Clarkson College, illustrating to us the benefits of efficient, well-planned management."

The place of S.A.M. in the educational process was brought out very clearly by the genial president of St. Norbert College, writing in the chapter's new newsletter, *Junior Management*:

"I believe the success of S.A.M. at St. Norbert, bolstered by this academic interest in the finer things of life, will be proven as your members continue to identify themselves with business and industry . . . I am happy to see your enthusiasm as an organization. As a graduate of St. Norbert you will be looked up to as a potential leader. S.A.M. will help you. St. Norbert College will help you."

In this connection, we were quite pleased to receive the following welcome statement from the president of American University, Dr. Hurst R. Anderson:

"Be assured that it [the S.A.M. chapter] has the most conscientious support of the administration here."

The spirit that leads to real achievement was revealed recently in a letter from Silas C. Dobbins, president of the Bowling Green student chapter, that even though the chapter has already experienced more than a 300% increase in membership the first semester (117 now), "I feel we have only scratched the surface of our potential growth and achievement."

Planned publicity, with a good organization, interesting program, willing workers and capable leadership, also produced outstanding results in the membership campaigns at Xavier and McGill Universities. The report of dynamic Arthur Dalfen, McGill Chapter president, reveals a phenomenal increase from 13 to 168 the first semester.

The boys at Xavier said that if Villa Madonna, a small liberal arts college, can finish in the first ten in our Performance Awards Competition, they should be able to do it too. Already they show indications of moving forward at an amazing rate this year. In their new newsletter, *The Outlook*, they started their membership campaign with the following:

What S.A.M. Has to Offer You

1) Speakers from industry
2) Plant Tours
3) Senior Brochure
4) Summer intern program for sophs and juniors
5) National S.A.M. magazine
6) Xavier Chapter S.A.M. newsletter
7) Important contact with business leaders
8) Membership in a professional organization
9) Practical organization experience
10) Aid in launching your career

At Purdue University, the leaders started to plan their new chapter last spring. They continued to plan during the summer, so that an attractive program and a sound organizational plan were ready to be merchandised in the fall semester. A charter membership of 153 and the first Performance Report of 1490 points were achieved, even though the charter presentation (see photo below) was delayed to accommodate the writer.

On our trip to Purdue, we had a conference with the student officers and faculty advisors, Dr. W. R. Taaffe and Prof. Wilbur Lawrence, of Butler and Indiana Central Chapters. Bob Luker of Butler informed us that they are working on simulated management games for a spring conference with Purdue. The members of Indiana Central were of the opinion that their chapter was too small to participate in the Performance Plan, but were assured that any chapter, regardless of size, can hit the "jackpot."

The "Thought for the Day" in the Sacramento State College newsletter, *The Sample*, carries a real message: "You cannot lead your organization by sitting in an ivory tower and lowering instructions out of a window."

Catherine Wahden, secretary of the University of Houston Chapter, expressed effectively, in her letter accompanying the first Report, the spirit that seems to have dominated the activities of our chapters this fall:

"We hope that we have met the high standards of the Performance Awards Plan. We thoroughly enjoyed working and planning for the 'advancement' of S.A.M. this fall."

Their Organization Manual, incidentally, is one of the very best—areas of responsibility, specific duties, and lines of supervision are thoroughly and clearly revealed. It represents good management and one of the reasons for their efficient functioning.

Prof. Fischer presents charter to E. Douglas Parsons, Purdue University chapter president.

I was interested in reading in the De Paul University Chapter's *Management Progressions*, "You expect more from S.A.M. because you get it." That certainly is true of many of our chapters.

Congratulations to the University of Maryland Chapter for winning first place on Freshman Organization Day for their outstanding S.A.M. display. The chapter is also organizing a basketball team to participate in the intra-mural league.

This year the demand for student lapel pins exceeded our expectations and the supply was exhausted. Two re-orders were necessary. Many chapters — Purdue, LSU and Maryland, to mention a few—are presenting lapel pins to new members.

The leaders of the University of Michigan Chapter are to be commended for their very attractive year book and roster of members. It contains their constitution; organization manual; the values of membership for engineering, business administration, and other students; a review of last year's program and a listing of the current program through the entire academic year; along with the members' names, addresses, telephone numbers and major subjects. A few business advertisements financed the printing. 300 copies were sent out to the members of the faculty and industrial firms. In addition, it was used effectively in their membership campaign.

The movement forward continues — the chapters are having a great year.

Index Available

Reprints of the Advanced Management Index for 1959, published in last month's issue, are available without charge. Address: Reprint Dept., Advanced Management, 74 Fifth Ave., New York 11.

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